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E.O. 12958: DECL: 06/07/2016
TAGS: [EAID](#) [EFIN](#) [PREL](#) [KPAL](#) [IS](#)
SUBJECT: ISRAELI-PALESTINIAN MEETING ON BANKING ISSUES

REF: TEL AVIV 01182

Classified By: Economic Counselor David R. Burnett; reasons 1.4 b/d

11. (SBU) Bank of Israel (BOI) Assistant Supervisor of Banks David Zaken called EconOff on June 8 to express BOI satisfaction with the June 7 Israeli-Palestinian meeting on anti-money-laundering and counter-terror-finance (AML/CTF) practices in West Bank and Gaza banks. The BOI arranged the meeting as a follow-on to Joint Economic Committee discussions on the Palestinian Monetary Authority's AML/CTF oversight of banks in Gaza. The BOI hopes that a more regular AML/CTF dialogue with the PMA will reassure Israeli banks that they can continue (or begin) doing business with banks in the territories. The Israel Money Laundering and Terror Financing Prohibition Authority (IMPA), Palestine Monetary Authority (PMA), Israeli security authorities, and various Israeli and Palestinian private banks also attended (over 30 attendees in all).

12. (SBU) Zaken termed the meeting--which lasted over three hours--as "very useful." He added that it takes a long time to build trust, but that this meeting was a very good preliminary step. This preliminary meeting was a good chance for the major actors across the various sub-fields involved with these issues to meet. Zaken said that follow-on meetings will most likely be smaller and focused on specific issues. Zaken mentioned that as far as the BOI is concerned, these issues should be dealt with amongst private banks, which do not need the BOI as a "babysitter." However, he said, the BOI is happy to participate where needed. As such, he viewed as promising the fact that private Israeli banks both with existing correspondent relationships with the PA, as well as those without, attended the meeting.

13. (C) Regarding an automatic monthly transfer of funds to Gaza, Zaken said that no official change in policy had yet taken place, nor had any specific monthly amount been decided upon. According to Zaken, the BOI would not be the entity to decide a monthly sum--this would instead fall to the Israeli security authorities. He confirmed BOI Governor Stanley Fischer's commitment to EconCouns that the BOI would support such a regular monthly transfer. On the June transfer, he confirmed that he had received a PMA request to exchange NIS 27m in spoiled notes, but said he had not gotten a request for funds for salaries or any other purpose. Zaken said that upon receiving the request to replace spoiled notes, he stressed to the PMA the importance of also sending all requests to the Israeli MOD and security authorities.

14. (C) Comment: Embassy is encouraged by the fact that this meeting took place and by the commitment to maintain a regular dialogue between Israel and the PA on AML/CTF issues. We believe direct dialogue between Israelis and Palestinians on economic security matters is the best way to build GOI confidence in the PA's ability to govern effectively. We were disappointed to learn that efforts to de-politicize cash

transfers to Gaza are stalled, but will continue to press our
GOI security interlocutors on why it is important to Israel's
security to strengthen Gaza's banking system.

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